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March 14, 2005

Mr. Mark Strohfus
Environmental Project Leader
Great River Energy
17845 East Highway 10
P.O. Box 800
Elk River, Minnesota 55330-0800

RE: Acceptance of Site Permit Application: Cambridge Station
EQB Docket #05-92-PPS-GRE Cambridge Station

Dear Mr. Strohfus:

On March 11, 2005, Great River Energy filed a Site Permit application with the Minnesota Environmental Quality Board (EQB) regarding the construction of a 170 MW, simple cycle, natural gas fueled large electric power generating plant at the Cambridge Station site.

EQB staff has reviewed your application and has recommended that I find your application consistent with the requirements of Minnesota Rules, part 4400.1150, and that the application be reviewed pursuant to the Alternative Permitting Review process procedures in Minnesota Rules, part 4400.2000-2950. Based upon the EQB staff recommendation and my review, I am accepting the Cambridge Station application with the understanding that if additional information is requested by the EQB staff, these requests will be addressed promptly.

Given the size and type of the proposed project, I have decided not to appoint a citizen advisory task force for this project.

In light of GRE's request to conduct joint hearings for the Public Utilities Commission (PUC) on the application for a certificate of need and for the EQB on the application for a site permit, matters which the PUC and EQB will address in the near future, I have elected to combine the general environmental review (i.e., Environmental Report) for the PUC with the site-specific environmental review (i.e., Environmental Assessment) for the EQB into one document. The EQB rules specifically allow for such accommodation. Minn. Rules part 4410.7060.

Mr. Bill Storm will be the MEQB's staff project manager for this project and you may direct any future questions to him. Mr. George Johnson of the MEQB staff will serve as the public advisor for this project. We look forward to working with Great River Energy to fully address any issues that may be raised in review of this application. Thank you.

Sincerely,

Robert A. Schroeder, Chair
Environmental Quality Board

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TO: Robert A. Schroeder, Chair
EQB (Tel: 651-296-3391)

FROM: William Cole Storm
EQB Staff, (Tel: 651-296-9535)

RE: EQB Staff Recommendation on Acceptance of Site Permit Application
GRE Cambridge Station
Isanti County, Minnesota
EQB Docket # 05-92-PPS-GRE Cambridge Station

ACTION REQUIRED: Signature of the Chair on a letter notifying Great River Energy (GRE) that its application for a LEPGP Site Permit is accepted. The date of the Chair's determination letter that an application is substantially complete marks the start of the schedule for the Board to make a final decision on the permit. Acceptance of the application allows staff to initiate the review requirements.

Attached is a letter for your signature notifying GRE of the chair's decision to accept the site permit application.

BACKGROUND: On March 11, 2005, GRE submitted to the Minnesota Environmental Quality Board (MEQB) a site permit application regarding the Cambridge Station.

On February 28, 2005, GRE submitted to the Minnesota Public Utilities Commission (MPUC) a Certificate of Need application regarding the Cambridge Station.

GRE has requested that a joint hearing be held to consider both the CON and Site Permit applications. Minn. Stat. § 216B.243, subd. 4.

GRE proposes to construct a 170 MW, natural gas-fired, simple cycle combustion turbine generator at its existing peaking plant site near Cambridge in Isanti County, Minnesota. The proposed facility will be located on a current generating site, approximately 13 acres in size, owned by GRE. The site currently has a 25 MW, fuel oil-fired, combustion turbine generator and associated substation.

To supply natural gas to the facility, a ½-mile, 10 inch diameter lateral pipeline will be constructed to connect the Cambridge Station to the Northern Natural Gas Company's (NNG) existing interstate pipeline. The natural gas pipeline will be permitted through a separate process.

Upgrades to the substation and re-conductoring of three transmission lines that enter the Cambridge Station will be required. No change in voltage of the existing three 69 kV transmission lines is planned; therefore, no EQB HVTL routing permit would be required.

Both a certificate of need from the PUC and a Site Permit from the EQB are required before the applicant may go ahead with the project.

REVIEW PROCESS: In accordance with Minnesota Rules, part 4400.1250, subpart 1, within ten (10) days of receipt of an application for a site permit, the Chair shall determine whether the application is complete and notify the applicant in writing of the acceptance or rejection of the application.

The permit will be reviewed under the Alternative Review Process (Minn. Rules, part 4400.2000). As part of the permitting process, the EQB prepares an Environmental Assessment (EA) on the project and holds a public informational meeting. The EQB has up to six months from the time the application is accepted to complete the process and make a decision on the permit.

Under the rules adopted by the EQB in February 2004 (Minn. Rules parts 4410.7010 to 4410.7070), the EQB is the responsible governmental unit that prepares an Environmental Report on large energy projects at the certificate of need stage before the PUC. In the Environmental Report, the EQB addresses the environmental effects of the proposed project and the environmental effects of different types of facilities that might be constructed to meet the alleged need. The PUC determines whether the new large energy facility is needed and the size and type of any facility to be constructed.

In the event an applicant for a certificate of need for a LEPGP applies to the EQB for a site permit or route permit prior to the time the EQB completes the environmental report, and the project qualifies for alternative review, the EQB may elect to combine the general environmental review (i.e., Environmental Report) for the PUC with the site-specific environmental review (i.e., Environmental Assessment) for the EQB into one document. The EQB rules specifically allow for such accommodation. Minn. Rules part 4410.7060.

EQB staff expects this project to be placed on the EQB's agenda for a decision in October 2005.

STAFF RECOMMENDATION: The EQB staff has reviewed the Site Permit Application for compliance with the requirements of Minnesota Rules Chapter 4400. The GRE application provides the information required by the power plant siting rules. Therefore, EQB staff recommends that the chair of the Board accept the GRE application.

Additionally, the staff recommends that the Chair approve the combining of the general environmental review for the PUC with the site-specific environmental review for the EQB into one document. Minn. Rules part 4410.7060.